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NOVEMBER 18, 1986

- E-mail boosts micros
- Remote LAN access
- Streamlined Cobol
- Online monitors
- Time to board GM's MAP bandwagon?

COMPUTER
DECISIONS
THE MAGAZINE FOR MIS EXECUTIVES
A HAYDEN PUBLICATION

WHEN THE BOSS DRIVES MIS

CEO Alexander Giacco uses information systems to steer Hercules Inc. and to check on performance.

PAGE 30

MIS chief Ross Watson (left) has shaped Hercules' sales inquiry system to fit Giacco's vision.

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COMPUTER DECISIONS

November 18, 1986 Volume 18 Number 26

NEWS

12 News Scan

16 News Analysis: Tax reform may mean more work, less money for MIS

20 IBM merges SNA and telecomm

26 Netview: A point-by-point look

27 Who has the best IBM connection?

FOLLOWING THE LEADERS

44 Legend meets reality/Hayes Microcomputer Products' dominance in micro modems has become virtually legendary. But is reality catching up with the legend?

CORPORATE MICROCOMPUTING

47 An LAN isn't always local/With remote access software and some modems, users thousands of miles away can tap into local-area networks.

STRATEGIC SYSTEMS

52 Toward crashless CICS/A CICS crash usually brings business conducted on online systems to a dead halt. But performance monitors can help to keep CICS alive and kicking.

CIO

Cover Story

30 A top-down MIS mandate/Hercules Inc.'s senior managers have a great reason for using information systems: Their boss does. Cover photo: Ted Hardin

32 Inside track/Alexander Giacco and Ross Watson prove that a professional investment in one corporation can pay off.

STRICTLY SOFTWARE

33 Sleeker, faster Cobol/New development software is taking the drudgery out of Command Level Cobol.

34 Use of C on mainframes gets IBM's endorsement/IBM's introduction of a C compiler may encourage broader use of the language on mainframes, especially in integrated shops.

NETWORKS & COMMUNICATIONS

38 MAP bandwagon hits slow road/GM may be curtailing its efforts to promote MAP. Proponents hope that other large users will use their power to keep the bandwagon moving forward.

Computer Decisions (USPS 771-040 ISSN 0010-4558) is published biweekly except three issues in September and October for $65 per year by Hayden Publishing Co., Inc., 10 Mulholland Dr., Hasbrouck Heights, NJ 07604. Second-class postage paid at Hackensack, NJ 07602, and additional mailing offices. POSTMASTER: Send address change to *Computer Decisions*, PO Box 1031, Southeastern, PA 19398. For subscription information, please call (215) 337-8623.

DEPARTMENTAL COMPUTING

60 PROFS provides missing linkage/With IBM's electronic-mail system, MIS can provide users with greater functionality and mainframe connectivity.

INSIDE MFG.

(Appears in select issues)

32A MIS ponders the CAD connection/New links allow manufacturing, engineering, and MIS managers to get vital data from CAD files. But organizational boundaries still must be crossed.

32E Expert systems' timely clock-in at the factory/Expert systems that bring artificial-intelligence technology to the factory may be the latest breakthrough in manufacturing systems.

DEPARTMENTS

8 Insight/More goes into *Computer Decisions*

36 Application/Online help for collection calls

66 Products

68 Ad index

Copies printed: 182,136

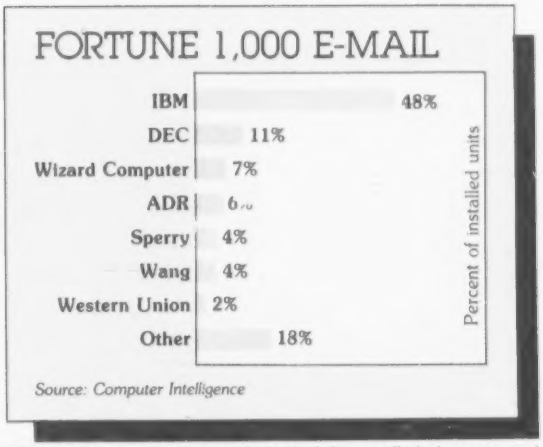
as change their size and frequency depending on network loading allow for the integration of voice, data, and video information over the WPT network.

PC AT desk-top clone

AST Research Inc., the leading supplier of micro expansion boards, introduced an IBM Personal Computer AT clone that it is selling as part of a low-cost desk-top publishing system.

The Irvine, CA-based vendor is packaging the new Premium/286 with its Turbolaser laser printer and Turboscan optical page scanner to form the Premium Publisher system. The complete system with monochrome monitor costs $9,995 without software. Without the scanner, it costs $7,995. That price is "amazing" compared with the more than $10,000 price of a similarly configured IBM PC XT and a Hewlett-Packard Laserjet Plus printer, says Datapro Research Corp., Delran, NJ.

Analysts see AST's move to micros and desk-top publishing as a response to disappointing financial performance. Profits in the most recent quarter dropped by $5 million, about 60 percent from the previous year. Safi Qureshey, AST's president, attributes sagging performance to the low profit margins of several new products, the manufacturing costs of which the vendor has not yet begun to reduce, and to lower sales of the Six Pak Plus expansion board. That product accounted for 49 percent of AST's sales in the first fiscal quarter of 1986, but only 14 percent for the first quarter of 1987, notes Gartner Securities Inc., Stamford, CT.



IBM's Profs accounts for nearly half of the installed electronic mail systems in Fortune 1,000 corporations with IBM mainframes. Digital Equipment Corp.'s All-in-One ranks a distant second.

"Breakthrough" terminal offers high resolution at low price

"It's a breakthrough," says analyst Ilene Goldman of International Data Corp. (Framingham, MA) about the new Visual 600 Series terminals Visual Technology Inc. (Lowell, MA). Goldman praises the new terminals for offering full-function alphanumeric and high-quality graphics for $695.

The Visual 600 Series terminals include a "plain vanilla" display and removable cartridge unit for changing terminal emulation characteristics. The terminals can be easily reconfigured to address a number of terminal standards, including ASCII and DEC/ANSI, as well as to accommodate PC-compatible and high-level Tektronix 4010/4014 graphics applications. Unlike many higher priced competitors, the Visual models provide a flicker-free screen.

The series is expected to ship in early December.

A 9,600-bps modem for under $1,000—without the echo

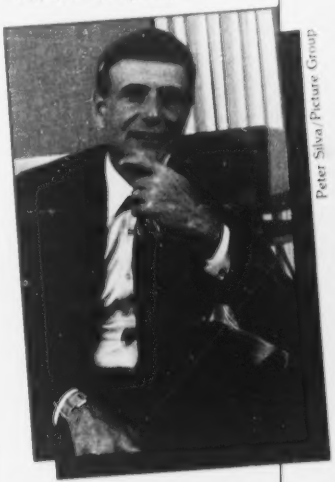
US Robotics Inc.'s new Courier High Speed Technology (HST) modem is a full-duplex 9,600-bit-per-second machine for use on dialup phone lines that costs only $995.

The new modem is substantially cheaper than other 9,600-bps modems, which can cost $2,500 more. A US Robotics spokesperson says the cost savings stem from eliminating echo cancellation. Echo cancellation, part of the CCITT's V.32 recommended standard, allows each modem to ignore its own transmitter and pick up the remote transmitter. "We have completely separate channels," the spokesperson says, "so there is no echo to cancel." The Courier HST provides simultaneous 9,600-bps and 300-bps data channels and automatically assigns channel direction according to data flow. The Skokie, IL-based manufacturer claims the new modem is ideal for interactive applications, and is lobbying to have it accepted as an international standard.

Datapoint tries again

Datapoint Corp. has announced a series of new systems and workstations that, according to president Edward P. Gistaro (pictured), puts it in contention with—and makes it compatible with—the major vendors of office systems.

Expanding on its Minx teleconferencing workstation, which 18 months after its introduction can only claim "more than 200 and less than 1,000" installations, Datapoint announced the multifunction Starcluster workstation. Starcluster, at a pricey $25,000, offers voice, office, and dp applications plus videoconferencing. It connects to the Starship II multiprocessor, which, at 3.2 million instructions per second, is comparable to IBM's 4381 or the DEC VAX 8550. Starship II, with a meld of peripherals, costs $79,000.



Peter Silva/Picture Group

Gistaro also reported sound balance sheets and two profitable quarters in a row for Datapoint. Nevertheless, Gistaro projects flat revenues ahead for the San Antonio, TX-based mini vendor.

Hayes Microcomputer Products Inc.

Dennis Hayes, chairman, president, and CEO of Hayes Microcomputer Products, bases his corporation's success on outstanding customer service.

LEGEND MEETS REALITY

Hayes Microcomputer Products' dominance in micro modems has become virtually legendary. But is reality catching up with the legend?

by David Morrison

In less than a decade, Dennis Hayes, the 36-year-old chairman, president, chief executive, and principal stockholder of Hayes Microcomputer Products Inc., has taken his modem business from a garage enterprise to a $150 million-a-year corporation. The Hayes name has become so synonymous with micro modems that even IBM advertises compatibility with Hayes' products—not the other way around. Hayes' challenge is to maintain that position.

Analysts describe the vendor's early growth as spectacular, enjoying triple-digit growth rates and an undisputed role as the leader in micro modem development and sales. But now, in its 10th year, the corporation faces narrowing profit margins, increased competition, and the uncertainties of a rapidly changing technology.

Norcross, GA-based Hayes has dominated the micro modem market since 1981. Following the development of its highly successful 300-bps and 1,200-bps Smartmodems for IBM and Apple Computer Inc. micros and the popular Smartcom menu-driven communications software, Hayes held 65 percent of the $161.5 million national micro modem market in 1984, says Dataquest Inc., San Jose, CA, market researchers. But the vendor's share dipped to 47.7 percent of the $216.5 million 1985 market. Hayes remains far ahead of its closest competitors, but that gap may be narrowing.

Last year was a difficult one. Hayes lagged behind other vendors in bringing out a 2,400-bps modem, not introducing it until the end of 1984. The corporation's attempt to broaden its product line with Please, a user-friendly database management package, flopped. And in spite of comparable communications hardware available at a fraction of the cost of Hayes products, the Smartmodem remains "pricey," says Andrew Clark of Walter Ulrich Consulting Inc., Houston. Although Hayes recently reduced the price of its 2,400-bps modem to $695, its competitors offer similar products for $515 or less.

As a result of these setbacks, Hayes was forced to put all employees on an involuntary four-day furlough without pay at the end of last year and cut its marketing and manufacturing staff by 125 employees earlier this year. But Dennis Hayes insists that his company is stronger than ever. "The slump in the market gave us a chance to catch up with ourselves," he says. "Now I see us as being very much like a coiled spring, ready to grow."

"When I started this company, I never intended it to be a small company."
Dennis Hayes

Because Hayes Microcomputer Products is privately owned, it is not required to report balance sheet information. According to industry analysts, however, it is relatively debt-free with estimated sales of about $135 million last year. As such, Hayes would make an attractive candidate for acquisition, say observers. But Hayes, who controls an estimated 90 percent of the corporation's stock, insists that selling the business is out of the question.

Nor is there likely to be a public offering of Hayes stock, the remainder of which is owned by employees through a profit sharing plan, Hayes says. "We want to remain privately owned," says Hayes, who claims he would waste too much time dealing with stockholders and securities analysts. "We're in the business of selling our products. We're not interested in selling our business."

Analysts are predicting sales of at least $150 million for Hayes in 1986. Dataquest forecasts continued total market growth to $1.13 billion in sales for 1990. That will represent shipments of more than 4 million modems in 1990 compared with the 1.06

million expected to be shipped this year.

The downside, at least for Hayes, is that the average price per unit, $279 in 1986, is expected to drop to a margin-squeezing $266 in 1988 before rising back to $278 per unit in 1990.

In addition, some of Hayes' competitors have launched what appears to be an all-out price war to carve out a bigger share of the market for themselves. 1,200-bps modems are already on the market for about $150, compared to $595 for the Hayes 1,200-bps modems. Leading Edge Products Inc. (Canton, MA) offers its Model L 1,200 B internal modem for $149; the Hayes equivalent is $495. Hayes officials argue, though, that these products are not backed up by the liberal warranty polices and extensive support network Hayes offers.

Dennis Hayes also expects to gain sales overseas, which he says will also strengthen his hand when dealing with the multinational corporations that have been among his best customers in the United States. The vendor has already established offices in the Far East and Europe and has overcome some of the trade, political, and technological barriers in dealing with government-controlled telecommunications operations in other countries.

Hayes refuses to reveal future product strategies, but says he is investigating ways to expand the vendor's presence in the public packet-switched market, develop protocol converters for micros, and develop higher-speed modems. Hayes does not yet market a 9,600-bps modem as some of its competitors do.

Hayes does say that one of his priorities is to maintain the corporation's reputation for customer service that has contributed to its preeminent market position. The vendor does not quibble over technicalities in its limited warranty, Hayes says, and will answer any customers' questions it can, even if they are about other vendors' products. "We want users to be successful in using modems," said Hayes. "That's the key to our success."

That success may be one of the vendor's greatest liabilities. Competitors have successfully emulated Hayes products using lower-cost technologies and manufacturing flexibilities. For instance, competitors were able to beat Hayes to the market with a 2,400-bps modem. Jerry Sanders, chief of the technical support branch of the Atlanta-based Center for Disease Control's information resources office, switched to Hayes-compatible U.S. Robotics 2,400-bps modems because they were readily available.

Despite its lateness in entering some modem markets, Hayes remains leader of the pack when it comes to reputation for quality. "When my rear is on the line, I'm going to go with something that works," says Larry C. Rogers, personal-computer analyst in the information center of the Atlanta-based National Bank of Georgia.

> "The slump in the market gave us a chance to catch up with ourselves. Now I see us as being very much like a coiled spring, ready to grow."
>
> *Dennis Hayes*

With more than 100 micros in the bank relying on modems for downloading data from computers at the Federal Reserve Bank, obtaining real-time stock quotations and sending all sorts of reports back and forth from computer to computer, "It's going to take something that will really blow the world away in terms of cost or performance," Rogers says, to convince him and his users to drop Hayes.

A recent survey of 542 communications managers by Datapro Research Corp., Delran, NJ, showed that both the Hayes 1,200-bps and 2,400-bps modems scored high in ease of installation and reliability. The overall rating of 3.3 and 3.2, respectively, out of 4 is "very good," Datapro says.

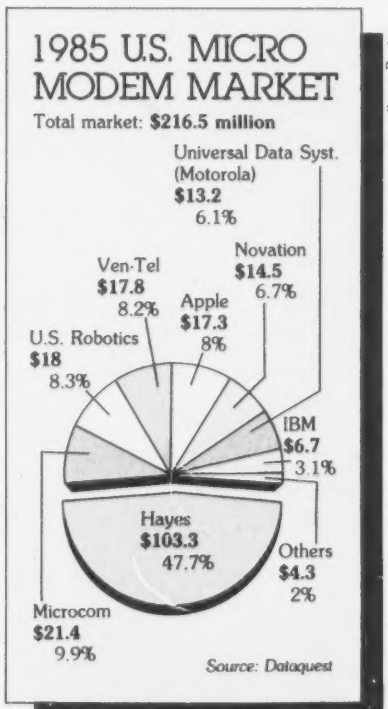
Jack Musgrove, associate director of Dataquest, says "Hayes seems to be doing just fine" in the micro modem market and predicts that the corporation will maintain its position as market leader. But, he adds, over the long haul Hayes will have to respond to the lower-priced entrants making headway in modem sales.

With that in mind, Hayes "is going to face a lot of pressure to maintain profitability," says consultant Clark. "It's going to have to sell a lot of modems to make money if it's basing its profits on the modem market alone," he says. "It's one thing to sell a lot of modems at $700 and see margins of $200 to $300, as Hayes has done in the past. It's a lot different when you have to sell a modem for $150 with a margin of $50."

Hayes has had some difficulty in adding new product lines. Please, a low-end DBMS, had a less-than-auspicious beginning when it was introduced on the same date as a long-awaited upgrade of dBase III. Although the easy-to-use Please is still on the market, it is the only product that Dennis Hayes will admit has lost money. The "jury is still out," he says, on products like Transet 1000, a buffered interface card, and other recent launches, says Hayes.

The corporation is also trying to become more responsive to the needs of major corporations by enhancing its existing product line. For example, while pressing to have its own Hayes Verification error-checking communications protocol established as the industry standard, Hayes is gradually supporting other protocols with its products, including those developed by competitors. It has also started addressing the integration of modems into local-area networks with a version of Smartcom II for IBM-based LANs and Interbridge, a local and remote hardware connection for Appletalk Personal Networks.

Although Dennis Hayes appears to be wearing all the hats in the corporation, he is well aware of the dangers of spreading himself too thin. Consequently, he claims, he has built a strong management team. But Hayes insists he's not likely to step down anytime soon. "I enjoy what I'm doing," he says. "My vocation and avocation are the same." And, he says, he has not quite finished what he set out to do. "When I started this company," Hayes says, "I never intended for it to be a small company." □



Susan Banta

Despite recent setbacks, Hayes Microcomputer Products Inc. is still far and away the preeminent player in the micro modem market.

David Morrison is a free-lance writer based in Atlanta.